

Message Text

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70

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

CG-00 COA-02 DLOS-06 FMC-04 DRC-01 /202 W

----- 039060

R 051335Z DEC 73

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 9778

INFO AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EGEN, ETRN, BR

SUBJECT: BRAZIL REDUCING AVAILABILITY OF BUNKER FUEL

REF: STATE 234084

1. DELTA AND MOORE MCCORMACK REPORT THEY ENCOUNTERING INCREASING DIFFICULTY OBTAINING SUFFICIENT BUNKER FUEL. NATIONAL PETROLEUM COUNCIL (NPC) DECIDED MID-NOVEMBER THAT FOREIGN SHIPS COULD BUY ONLY UP TO 250 METRIC TONS ON EACH NORTHBOUND TRIP AND UP TO 100 TONS ON SOUTHBOUND TRIPS. SHIPPERS CONTINUE TO OBTAIN LARGE AMOUNTS, BUT ONLY ON BASIS OF INDIVIDUAL DECISION FOR EACH VESSEL AND AFTER CONSIDERABLE PERSONAL INTERVENTION BY COMPANIES' PRINCIPAL EXECUTIVES. NPC DECISION, IF STRICTLY ENFORCED, WOULD POSE PARTICULARLY DIFFICULT PROBLEM FOR DELTA LINES' LASH VESSELS WHICH REPORTEDLY COULD NOT OPERATE WITH SUCH SMALL FUEL ALLOCATIONS. MOORE MCCORMACK, WHICH HAD DEPENDED HEAVILY ON BRAZILIAN BUNKERS, HAS REDUCED SAILING SPEED BY 20 TO 30 PERCENT, INCREASED ITS FUEL

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PURCHASES IN UNITED STATES, AND IN SOME CASES LIMITED CARGO

WEIGHTS. THESE MEASURES WOULD ALLEGEDLY ENABLE COMPANY TO OPERATE, THOUGH WITH CONSIDERABLE DIFFICULTY, WITHIN NPC FUEL LIMITATIONS.

2. NPC DECISION APPARENTLY TAKEN FOR TWO MAJOR REASONS. FIRST, DEMAND FOR BRAZILIAN BUNKERS HAS INCREASED CONSIDERABLY AS SHIPPERS, UNABLE TO OBTAIN SUFFICIENT FUEL FROM NORMAL SOURCES, HAVE SOUGHT TO ENLARGE THEIR PURCHASES IN BRAZIL. SECOND, PETROBRAS AND BRAZILIAN SHIPPERS REPORTEDLY DISPLEASED BY DEFICIENT BUNKER SUPPLIES PROVIDED BRAZILIAN FLAG LINES ABROAD, NOTABLY IN UNITED STATES. THEY ARE, THEREFORE, CONSERVING LARGE PORTION OF DOMESTIC SUPPLIES FOR NATIONAL LINES WHILE SEEKING SOME TYPE OF RECIPROCAL ARRANGEMENT WITH FOREIGN LINES. REPRESENTATIVES OF PETROBRAS, SUNAMAN AND BRAZILIAN SHIPPERS MET NOVEMBER 30 TO DISCUSS POSSIBILITY OF RECIPROCITY. THEY REPORTEDLY DECIDED THAT EACH FOREIGN LINE WOULD BE GRANTED, IN ADDITION TO MINIMA MENTIONED ABOVE, A VOLUME OF FUEL EQUIVALENT TO WHAT IT ARRANGES FOR A BRAZILIAN SHIP ABROAD. FOR EXAMPLE, IF MOORE MCCORMACK ARRANGES FOR LLOYD BRASILEIRO TO PURCHASE 1000 TONS IN NEW YORK, MOORE MCCORMACK WOULD BE ENTITLED TO BUY IN BRAZIL AN EQUIVALENT 1000 TONS PLUS 250 TONS ON ITS NORTHBOUND TRIPS AND 100 TONS ON ITS SOUTHBOUND TRIPS. FOREIGN SHIPPERS HAVE RECEIVED NO OFFICIAL NOTIFICATION OF THIS DECISION, BUT THEY CLAIM TO HAVE CLEAR IMPRESSION THAT GOB DESIRES THIS OR SIMILAR RECIPROCITY ARRANGEMENT.

3. ISSUE MAY BE RAISED TO INTER-GOVERNMENTAL LEVEL. BOTH DELTA AND MOORE MCCORMACK, INSISTING THEY CANNOT OBLIGE UNITED STATES OIL COMPANIES TO BUNKER BRAZILIAN VESSELS, HAVE TAKEN POSITION THAT ADQUATE SOLUTION TO PROBLEM CAN BE FOUND ONLY THROUGH INTER-GOVERNMENTAL ACCORD. THEY BELIEVE PETROBRAS WOULD WELCOME TREATMENT OF ISSUE WITHIN A GOVERNMENTAL FORUM.

4. FUEL SITUATION RAISING SHIPPING COSTS SHARPLY. BESIDES INCREASED OPERATIONAL OUTLAYS IMPLICIT IN SLOWER SAILING SPEEDS AND FORCED REDUCTION IN CARGOES, TO SAY NOTHING OF POSSIBLE USE OF SALT WATER BALLAST, PETROBRAS HAS RAISED ITS BUNKER PRICE FROM APPROXIMATELY US\$3.20 PER BARREL IN JUNE TO CURRENT LEVEL OF US\$10.75 PER BARREL. PRICE BEING SET ON DAILY BASIS, INDICATING POSSIBLE FURTHER INCREASE. MOORE MCCORMACK SEEKING 10 PERCENT INCREASE IN CONFERENCE TARIFFS TO OFFSET THESE HIGHER COSTS, LIMITED OFFICIAL USE

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BUT SUNAMAN IS ALLEGEDLY DISPOSED TO AUTHORIZE INCREASE OF ONLY SOME 3 PERCENTM
BOONSTRA

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Message Attributes

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